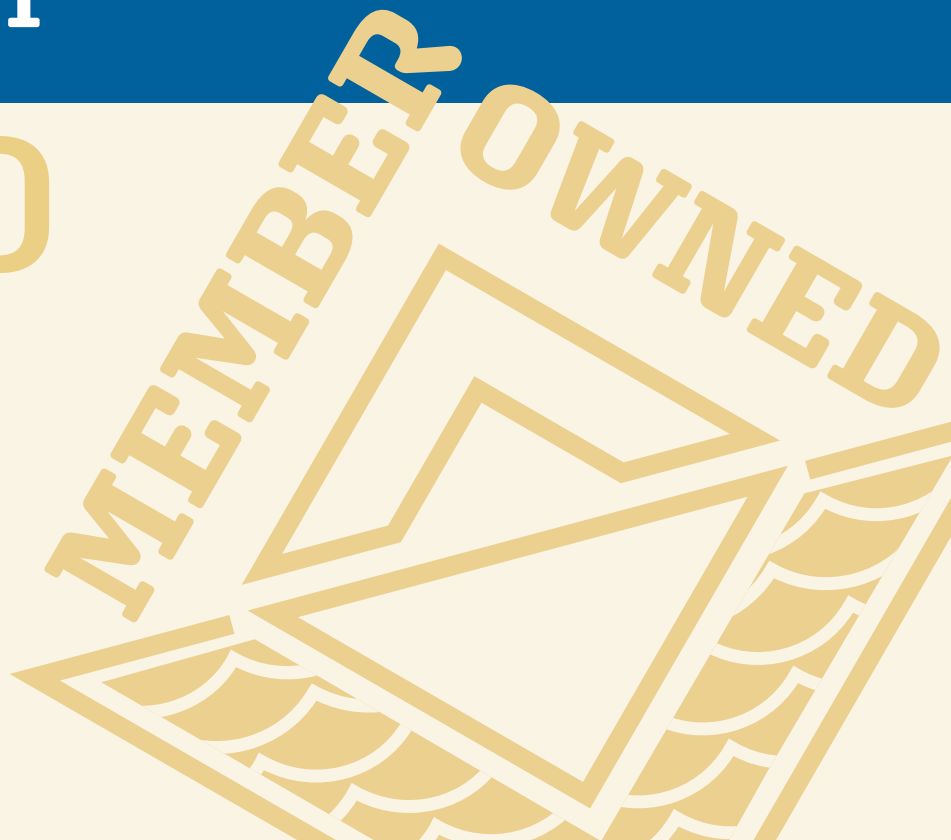


ANNUAL REPORT

2020





Chairman's Message

Since 1942, SESLOC has consistently stood ready to serve members through turbulent times, from the close of WWII, to future wartime conflicts, Y2K, 9/11, recessions, market fluctuations, and now a global pandemic. Despite the challenges presented during this last year, SESLOC remains well capitalized and well prepared to remain the steadfast and reliable financial partner our 56,000 members count on us to be during these unprecedented times.

Much of 2020 was defined by our support in helping individuals and small businesses navigate their way through this very tough period. In particular, we funded 160 Paycheck Protection Program (PPP) loans to sustain payroll and operations of many small businesses and non-profits locally, many who found their banks unwilling to help with the smaller dollar requests. At the onset of the pandemic, SESLOC quickly deployed a solution to allow members to apply for loan assistance online. We granted over 2,600 loan deferral agreements and over \$100 million in loan balances, as well as granting very low interest rate emergency loans, to help members with some breathing room during the uncertainty. The deep interest rate cuts by the Fed early in the pandemic created a very favorable environment for homeowners to refinance their mortgages, which helped drive SESLOC's highest year of loan production in funding dollars, at \$300 million. However, loan income ended much lower than budgeted because of the overall decline in the rate environment, which had its impact on lowering net income.

As the pandemic continues to transform our daily lives, we remain focused on our consistent promise to offer you valuable, reasonably priced financial services and programs.

By October of 2020, SESLOC surpassed a milestone of \$1 billion in assets, ending the year with \$1.043 billion, which is 22.19% growth over 2019. This growth is a trend being experienced nationally, as consumers have curtailed travel, restaurants and entertainment venues. With less places to spend, savings have seen healthy growth. SESLOC is preparing for the expected outflow at the end of the pandemic, but also encourages members to take the opportunity to retain a portion, keeping a higher level for emergency savings while the opportunity has been created.

Net income was \$2.89 million, and we remain well capitalized per regulatory standards with a net worth ratio of 8.62%.

As the pandemic continues to transform our daily lives, we remain focused on our consistent promise to offer you valuable, reasonably priced financial services and programs. On behalf of all the Directors, I want to thank you for your membership and your confidence in our credit union.

Alden F. Shiers

Dr. Alden Shiers ♦ Chairman of the Board





President's Message

It was the evening of our Annual Meeting of Members last year when the State of CA declared the pandemic emergency, shutting down our region. We had a few members attend, but it was very brief. There was great uncertainty—it was strange to drive to the office the next day on empty streets. We thought it would be like that for just a few weeks. "Zooming" was not yet being used as a verb.

We adapted. Half of our staff worked remotely this past year. The branches remained open under strict CDC guidelines for safe operations. We had never used the term "essential worker," but now have a deeper meaning of the importance of the credit union's role in society. While most financial institutions closed lobbies altogether, we committed to keep ours open with limited hours. Before the pandemic, the SESLOC volunteer Board of Directors had a key initiative driving digital experience, focusing on convenience, accessibility and security. In 2020, this objective proved to be not just important, but vital. We made it possible for new members to join online in minutes, upgraded our personal finance manager in Online Banking, digitized most of our forms, and increased mobile deposit posting timeframes to provide access to deposits sooner. Many of you tried and liked the ease of depositing checks remotely on your smart phone; we had a 49% increase in the number of check deposits on the SESLOC mobile app. Our financial education seminars became online webinars, drawing more attendees; 689 people attended via the comfort of their own homes.

Before the pandemic, the SESLOC volunteer Board of Directors had a key initiative driving digital experience... In 2020, this objective proved to be not just important, but vital.

In the last quarter, we introduced the Visa Signature® Rewards credit card, which combines reward points earned with those on the HomeFREE Checking™ debit card. As members rely more on online purchasing and home delivery services, SESLOC's Online Banking allows for easy tracking of debit and credit purchases, and quick access to reward point redemption.

For the past seven years, SESLOC has honored its roots in education by providing Education Grants to teachers to expand classroom-level resources. This year, the criteria was extended to include supplies to aid distance learning. We are proud to announce that we reached a cumulative program milestone of funding \$100,000 to support Central Coast schools.

And lastly, despite the noise and uncertainty of the last year, we continued to receive a 5-star rating from Bauer Financial, Inc., which independently tracks the safety and soundness of financial institutions. We are honored to play a part in our members' well-being for nearly 80 years, and thank you for your loyal membership. The notes of encouragement to our essential workers boosted spirits and helped drive another successful year, even in unusual times.

Geri LaChance ♦ President/CEO



Board of Directors



Dr. Alden Shiers
Chairman



Tom Lebens
Vice Chairman



Anthony Cangelosi
Board Financial Officer



Barbara Melvin
Secretary



Dr. Gary Hoskins
Director



Jacquie Paulsen
Director



Charlene Rosales
Director

Director Emeritus: James Park, Dr. Victor Buccola, Pauline Shaffer

Supervisory Committee Report

SESLOC Federal Credit Union's Supervisory Committee is appointed by the Board of Directors. We ensure the safety and soundness of credit union operations, and their compliance with federal and state regulations and our own bylaws. Through our oversight of the credit union's audit function, we assure the credit union's financial statements are fair and accurate, that member deposits are adequately protected, and the credit union's risk mitigating policies and procedures are effective.

It was an unprecedented year. Throughout 2020, SESLOC was committed to addressing the challenges arising from the coronavirus pandemic and servicing the needs of its members. The results of the 2020 annual audit performed by Doeren-Mayhew, a third party external CPA firm specializing in auditing credit unions, shows that SESLOC is well-managed and continued to perform appropriately to sustain a safe and secure future.

The assistance and cooperation of staff, management and the Board of Directors in the performance of their duties is much appreciated, as well as the time and effort of our current Committee member volunteers.

Ken San Filippo

Ken San Filippo ♦ Chairman



Ken San Filippo
Chairman



Lee Cunningham



Dan DeGroot



Stacy Kolegraff



Barry VanderKelen

Financial Condition

ASSETS	2019	2020
Loans to Members	\$646,083,418	\$665,928,431
Allowance for Loan Losses	(2,983,219)	(4,994,475)
Cash	4,727,538	8,197,467
Investments	170,168,264	340,325,547
Fixed Assets	20,700,690	19,175,252
NCUSIF Share Insurance Fund	6,909,507	8,132,683
Other Assets	8,303,480	6,662,366
Total Assets	\$853,909,678	\$1,043,427,271

LIABILITIES AND MEMBERS EQUITY

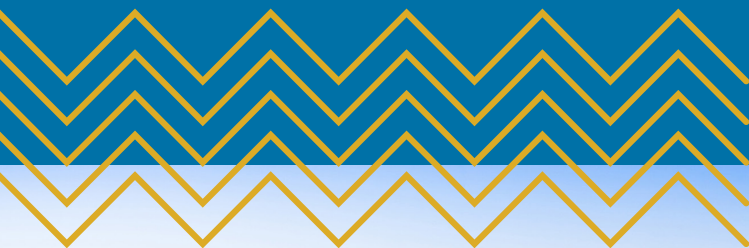
Shares of Members	\$759,937,720	\$942,325,487
Other Liabilities	7,711,235	9,292,685
Restricted Reserves	8,200,685	8,200,685
Undivided Earnings	78,834,788	81,729,412
Unrealized Gain/Loss	(774,750)	1,879,002
Total Liabilities & Equity	\$853,909,678	\$1,043,427,271

Income and Expenses

INCOME	2019	2020
Interest on Member Loans	\$28,117,344	\$28,329,943
Income from Investments	4,084,016	2,124,712
Fees & Charges	6,358,888	6,949,248
Other Income	705,910	699,355
Total Gross Income	\$39,266,158	\$38,103,258

OPERATING EXPENSES

Compensation & Benefits	\$15,320,828	\$17,316,140
Travel & Conference Expenses	443,588	77,684
Association Dues	86,045	86,057
Office Occupancy	1,778,778	2,103,013
Office Operations	4,881,776	5,275,388
Education & Promotion	965,537	696,403
Loan Services Expense	856,482	875,629
Professional & Outside Services	3,154,035	3,236,307
Provision for Loan Losses	1,873,195	2,872,836
Federal Operating Fee	213,096	227,976
Losses: Checks & Share Drafts	191,910	171,658
Miscellaneous Expenses	61,613	20,747
Total Operating Expenses	\$29,826,883	\$32,959,838
Dividends	3,126,817	2,707,677
Non Operating Gain	245,635	458,880
Net Income	\$6,558,093	\$2,894,623



GIVING BACK

to Members and our Community



\$46,843

The amount YOU contributed to **Food Banks** of San Luis Obispo and Santa Barbara counties, **Jack's Helping Hand** and **Family Care Network**, which is the most in SESLOC's fundraising history.



MEMBER SUPPORT

given to those in need, including this social-distanced document signing in the Santa Maria branch parking lot.

ACHIEVEMENTS

2,600

consumer loan and **mortgage loan** deferrals granted to ease burden of the pandemic.

160

Paycheck Protection Program (PPP) loans funded to sustain small businesses locally.

\$7,150

in prizes awarded among 100 members, who build emergency savings via our **Save to Win Share Certificate**.

689

members attended one of our **12 webinars**.

FINANCIAL TOOLS



A new personal money management service in Online Banking.

REMOTE BANKING



Made easier with EasyPay, CardSwap, Online Forms and Live Chat in Online Banking.

NEW VISA SIGNATURE® REWARDS CREDIT CARD



Offers points with every credit card purchase, and can combine with HomeFREE Checking points.

MOBILE DEPOSIT



Expanded posting time frames to help you get funds earlier, processing over 100,000 checks.

ASSETS TOP
\$1 BILLION

In 1942, ten San Luis Obispo educators met in the SLO High School library and formed SESLOC with \$500 in assets, as a way for people to borrow at a reasonable rate under honest and fair conditions. While originally a credit union established just for educators, our charter has expanded to offer services to all residents of San Luis Obispo and Northern Santa Barbara counties. Now with 56,000 members, our heart and focus remains on people and place; honoring the Central Coast region that has supported us for nearly 80 years.

\$100,000

Awarded to Central Coast Schools

In 2020, SESLOC reached a milestone, surpassing \$100,000 in **Education Grants** awarded to local K-12 teachers. Each month since 2013, SESLOC has awarded education grants in amounts up to \$500 for innovative and creative classroom projects and equipment that go beyond the usual classroom budgets. This program honors our original roots as a credit union founded by educators.

Education Grant Recipients

ELEMENTARY SCHOOLS: Adam | Almond Acres Academy Alvin | Atascadero Fine Arts Bellevue | Santa Fe Charter School | Bill Libbon | C.L. Smith | Cambria Grammar | Del Mar Family Partnership Charter | Grover Beach | Monarch Grove | Monterey Road | Oakley Pacheco | Sinsheimer

MIDDLE AND HIGH SCHOOLS: Flamson Middle School | ACE Academy | Atascadero Cabrillo | Maple | Paso Robles

Plus, a grant that benefited all of Orcutt Union School District.

SESLOC Financial Scholars

In addition, the **SESLOC Financial Scholars** program provided online courses to **eleven** high schools, with topics that included: financial basics, budgeting, credit, debt, insurance, and financing higher education. After completing the program, students' financial literacy assessment scores increased by 54%. We're proud to offer this program free of charge to local high schools.





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Atascadero

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San Luis Obispo

3807 Broad Street

Arroyo Grande

1399 East Grand Avenue

Santa Maria

2506 South Broadway

Headquarters

3855 Broad Street,
San Luis Obispo

Recognized as one of the strongest financial institutions
in the country by **Bauer Financial, Inc.**



Savings are federally insured to at least \$250,000 and backed
by the full faith and credit of the U.S. Government. National
Credit Union Administration, a U.S. government agency.

